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Angelique L.M. Clark

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re:

Case No. BK-08-51131-GWZ
Chapter 7

CETUS MORTGAGE, LTD.

Debtor.

ANGELIQUE L.M. CLARK,
TRUSTEE,

Adv. No. _____

Plaintiff,

vs.

**COMPLAINT TO AVOID TRANSFERS
PURSUANT TO 11 USC §§ 544, 547(b),
548(a) AND/OR NRS § 112.180**

RICHARD STARKWEATHER,
Trustee of the Starkweather
FamilyTrust,

Defendant.

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2 Plaintiff Angelique L.M. Clark, Trustee, by and through her counsel Woodburn
3 and Wedge complains and alleges as follows:
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5 I

6 **PARTIES, JURISDICTION AND VENUE**

7 1. This case presents claims that arise under Title 11 USC and, therefore,
8 this Court has jurisdiction over this matter pursuant to the provisions of 28 USC §
9 1334(b).

10 2. This matter presents issues relating to the determination, avoidance and
11 recovery of preferential transfers and fraudulent conveyances and, therefore, the claims
12 alleged herein are core proceedings under the provisions of 28 USC § 157(b)(2)(F) and
13 (H).
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15 3. This Court is a proper venue for this case under the provisions of 28 USC
16 § 1409(a).

17 4. Plaintiff Angelique L.M. Clark ("Clark") is the duly appointed trustee of the
18 Chapter 7 bankruptcy estate of Cetus Mortgage, Ltd. ("Cetus") pending before this Court
19 as Case No. BK-08-51131 ("Bankruptcy").
20

21 5. The named Defendant ("Defendant") conducted business with Cetus within
22 Washoe County, Nevada, and the claims asserted herein relate to such business
23 activities.

24 6. Clark is uncertain whether the Defendant's full legal name, the nature of
25 the Defendant's existence (corporation, partnership, limited liability company, etc.) and
26 the named Trustee(s) of the Trust, if applicable, are correct and, therefore, reserves the
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2 right to amend this Complaint at the appropriate time to properly identify any defendant
3 that may not be properly named or designated.
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5 II

6 **GENERAL ALLEGATIONS**

7 7. At all times relevant to the matters alleged herein, Cetus was a Nevada
8 corporation doing business in Washoe County, Nevada.

9 8. Cetus was licensed as a mortgage company by the Mortgage Lending
10 Division of the State of Nevada Department of Business and Industry and was engaged in
11 the business of brokering and servicing loans secured by residential and commercial
12 properties located mostly in Northern Nevada.
13

14 9. Typically, loans brokered by Cetus were funded by investments solicited
15 from third party investors willing to loan funds to Cetus borrowers. The loans brokered by
16 Cetus were occasionally funded by a single investor, but in most instances the loans were
17 funded with monies pooled from a group of investors.

18 10. In July 2008, the State of Nevada, Department of Business and Industry,
19 Division of Mortgage Lending seized Cetus' assets on the basis of several complaints from
20 investors that Cetus had:
21

- 22 A. Forged signatures on property conveyances;
23 B. Altered property descriptions in deeds of trust without proper
24 authorization;
25 C. Failed to properly account for investors' funds; and
26 D. Committed other violations of law.
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2 11. Cetus allowed its Nevada mortgage company license to expire without
3 renewal on June 30, 2008.

4 12. Cetus filed a voluntary petition for relief under Chapter 11 of the United
5 States Bankruptcy Code with this Court on July 9, 2008, commencing the above captioned
6 Bankruptcy.

7
8 13. On July 17, 2008, Clark was appointed Trustee of Cetus' bankruptcy estate
9 pursuant to the provisions of 11 USC § 1104. Cetus' Chapter 11 case was converted to
10 Chapter 7 proceedings on August 19, 2008, and Clark was subsequently appointed
11 Trustee of Cetus' Chapter 7 estate.

12 14. Pursuant to 11 USC § 704, one of the duties of bankruptcy trustees is to
13 investigate the financial affairs of the debtor. Clark has investigated, and continues to
14 investigate, Cetus' financial affairs. To date, Clark's investigation has revealed, among
15 other things, that:
16

- 17 A. Contrary to Nevada state law and regulations governing mortgage
18 companies, Cetus commingled investors' funds;
19 B. Cetus used monies invested by lenders for purposes other than for which
20 they were invested; and
21 C. Cetus, in some instances, failed to repay investors when loans they funded
22 were paid in full by the borrowers and, instead, used the repayment funds to
23 pay other investor claims or fund its operations. In turn, Cetus used other
24 investors' investment funds to continue to pay interest to the prior investors
25 to make it appear borrowers were still making interest payments on the
26 loans.

27 15. Based upon her investigations to date, Clark alleges that Cetus was
28 engaged in a phony investment scheme in which:

- 1
- 2 A. Monies paid by later investors were, at times, used to pay returns on
- 3 investments to earlier investors while no actual return had been received on
- 4 behalf of the earlier investors;
- 5 B. Monies that properly belonged to certain investors were used to continue to
- 6 pay interest on investments made by other investors in an attempt to cover
- 7 up the fact the other investors' loans had gone into default; and
- 8 C. Monies invested by later investors was used to fund prior loans from which
- 9 Cetus had improperly diverted funds to cover up the fact loan funds had
- 10 been misused.

11 16. Clark alleges that Cetus engaged in the phony investment activities

12 referenced in Paragraph 14, above, for the purpose of causing investors, old and new, to

13 continue to invest with Cetus, i.e. Cetus was engaged in a Ponzi scheme.

14 III

15 FIRST CLAIM FOR RELIEF

16 (Preference—11 USC §547(b))

17 17. Clark repeats each and every allegation contained in Paragraphs 1 through

18 16, above, and incorporates the same herein as if set forth in their entirety.

19 18. Based upon information available from Cetus' books and records, Clark is

20 informed and believes, and on that basis alleges, that from and after April 10, 2008, and

21 up until Cetus filed for bankruptcy relief, it made the following payments to the Defendant:

DATE	CHECK NO	AMOUNT
04/11/2008	96561	\$401.25
04/15/2008	96508	\$675.00
04/15/2008	96512	\$277.50
04/15/2008	96538	\$307.50
04/25/2008	96792	\$405.00
05/01/2008	96992	\$412.50
05/13/2008	97282	\$307.50
05/15/2008	97309	\$277.50
05/15/2008	97329	\$675.00

05/21/2008	97431	\$405.00
06/03/2008	97673	\$412.50
06/12/2008	97841	\$675.00
06/18/2008	97979	\$307.50
06/18/2008	97991	\$405.00
06/20/2008	98016	\$37,370.00

19. At the time the payments set forth in Paragraph 18, above, were made the Defendant was a creditor of Cetus for purposes of 11 USC §547(b)(1).

20. The payments referenced in Paragraph 18, above, were for or on account of an antecedent debt owed by Cetus before the payments were made.

21. Cetus was insolvent at the time it made the payments referenced in Paragraph 18, above.

22. The payments referenced in Paragraph 18, above, were made on or within ninety (90) days before Cetus filed its Chapter 11 petition in this matter.

23. Should the Defendant be allowed to retain the payments referenced in Paragraph 18, above, it would receive more than it would otherwise receive if (a) this case were a chapter 7 case under Title 11; (b) the transfer had not been made; and (c) it received payment of such debt to the extent provided by Title 11.

24. The payments referenced in Paragraph 18, above, constitute preferences pursuant to the provisions of 11 USC §547(b) that may be avoided by this Court.

Wherefore, Clark prays for relief as hereinafter set forth.

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IV

**SECOND CLAIM FOR RELIEF
(Fraudulent Transfers—11 USC §548(a)(1)(A))**

25. Clark repeats each and every allegation contained in Paragraphs 1 through 24, above, and incorporates the same herein as if set forth in their entirety.

26. Based upon information available from Cetus' books and records, Clark is informed and believes, and on that basis alleges, that from and after July 10, 2006, and up until Cetus filed for bankruptcy relief on July 9, 2008, it made payments to the Defendant and/or gave the Defendant interests in promissory notes, and that the aggregate value of the payments and the interests in the notes exceeded the amounts the Defendant had invested with Cetus ("Excess Transfers").

27. The Excess Transfers referenced in Paragraph 26, above, were made on or within two (2) years before Cetus filed its Chapter 11 petition in this matter.

28. Cetus made the Excess Transfers listed in Paragraph 26, above, with actual intent to hinder, delay, or defraud persons or entities to which Cetus was, or would become, indebted.

29. The Excess Transfers referenced in Paragraph 26, above, constitute fraudulent transfers pursuant to 11 USC §548(a)(1)(A) that may be avoided by this Court.

Wherefore, Clark prays for relief as hereinafter set forth.

V

**THIRD CLAIM FOR RELIEF
(Fraudulent Transfers—11 USC §548(a)(1)(B))**

30. Clark repeats each and every allegation contained in Paragraphs 1 through

29, above, and incorporates the same herein as if set forth in their entirety.

31. At the time Cetus made the Excess Transfers referenced in Paragraph 26, above, Cetus received less than equivalent value in exchange for the payment.

32. At the time Cetus made the Excess Transfers referenced in Paragraph 26, above, Cetus was either insolvent or rendered insolvent as a result of the payments.

33. The Excess Transfers referenced in Paragraph 26, above, constitute fraudulent transfers pursuant to 11 USC §548(a)(1)(B) that may be avoided by this Court.

Wherefore, Clark prays for relief as hereinafter set forth.

VI

FOURTH CLAIM FOR RELIEF (Fraudulent Transfers—NRS §112.180(1)(a))

34. Clark repeats each and every allegation contained in Paragraphs 1 through 33, above, and incorporates the same herein as if set forth in their entirety.

35. Pursuant to 11 USC §544, Clark has the rights and powers of a lien creditor and as a successor to certain creditors and purchasers which provides her with standing to bring any fraudulent transfer actions that may exist under non-bankruptcy law.

36. Based upon information available from Cetus' books and records, Clark is informed and believes, and on that basis alleges, that from and after July 10, 2004, and up until Cetus filed for bankruptcy relief on July 9, 2008, it made payments to the Defendant and/or gave the Defendant interests in promissory notes, and that the aggregate value of the payments and the interests in the notes exceeded the amounts it had invested with Cetus ("Excess Transfers").

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2 37. Cetus made the Excess Transfers listed in Paragraph 36, above, with actual
3 intent to hinder, delay, or defraud its creditors.

4 38. The Excess Transfers referenced in Paragraph 36, above, constitute
5 fraudulent transfers pursuant to NRS §112.180(1)(a) that may be avoided by this Court.
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7 Wherefore, Clark prays for relief as follows:

8 A. For an order voiding the payments referenced in Paragraph 15 as
9 preferential transfers under the provisions of 11 USC §577(b)(1);

10 B. For an order voiding the Excess Transfers referenced in Paragraph 26 as
11 fraudulent transfers under the provisions of 11 USC § 548(a)(1)(A);
12

13 C. For an order voiding the Excess Transfers referenced in Paragraph 26 as
14 fraudulent transfers under the provisions of 11 USC § 548(a)(1)(B);

15 D. For an order voiding the Excess Transfers referenced in Paragraph 36 as
16 fraudulent transfers under the provisions of NRS §112.180(1)(a);

17 E. For judgment against the Defendant, or any immediate or mediate
18 transferee of any preferential payment or fraudulent transfer, in an amount to be proven at
19 the trial in this matter, as provided in 11 USC §550;

20 F. For an award of costs incurred in connection with the prosecution of this
21 matter;
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23 G. For an award of attorneys' fees incurred in connection with the prosecution
24 of this matter; and
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2 H. For such other and further relief as to this Court is necessary or appropriate
3 under the circumstances.

4 DATED this 30th day of June 2010.

5 WOODBURN and WEDGE

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7 By 

8 John F. Murtha, Esq.
9 Attorneys for Trustee
10 Angelique L.M. Clark
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